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Arizona Corporation Commission
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BEFORE THE ARIZONA CORPORATION COMMISSION

FEB 21 2001

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LEGAL DIV.
ARIZ. CORPORATION COMMISSION

IN THE MATTER OF NOTICE OF
PROPOSED RULEMAKING FOR THE
ENVIRONMENTAL PORTFOLIO
STANDARD

DOCKET NO. RE-00000C-00-0377

APPLICATION OF ARIZONA PUBLIC SERVICE COMPANY
FOR REHEARING/RECONSIDERATION OF DECISION NO. 63364

Arizona Public Service Company ("APS" or "Company") hereby submits its Application for Rehearing/Reconsideration of Decision No. 63364 dated February 8, 2001 in the above-captioned matter. Decision No. 63364 failed to adopt two of the Company's prior Exceptions resulting in unnecessary limitations on its ability to satisfy the Environmental Portfolio Standard ("EPS") with the available funding.

UTILITY-FINANCED CUSTOMER-PREMISE
ENVIRONMENTALLY-FRIENDLY RESOURCES

EPS Rule 1618.C.3.a., as adopted, would allow a Load-Serving Entity to claim an extra credit multiplier if a customer-premise installation of a qualifying technology was financed by or paid for by the Load-Serving Entity.¹ Later in the Proposed EPS Rule, credit for any customer-premise equipment is given to the then Load-Serving Entity of the customer, even if it was a different Load-Serving Entity that paid for or financed the equipment. See EPS Rule 1618.F.

¹ There are other criteria by which a Load-Serving Entity might also receive extra credits, as set forth in Proposed EPS Rule 1618.C.3.b.-d. However, these alternative scenarios do not raise the same issue as discussed in this section of the Company's Exceptions.

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1 This is simply unfair and will discourage utilities from financing customer-owned
2 distributed facilities. Such concerns are not merely hypothetical. APS has already placed on hold
3 plans to help finance customer-owned solar facilities in the Tucson Electric Power Company
4 service area. Even within its own service territory, the existing rule inhibits the attractiveness of
5 using customer-owned equipment to help satisfy the EPS. If APS finances or purchases
6 customer-premise equipment within the requirements of Proposed EPS Rule 1618.C.3.a., why
7 should that customer's competitive ESP be permitted to receive EPS credits if the customer later
8 chooses Direct Access? Similarly, why should APS receive the credits paid for or financed by a
9 competitive ESP simply because the customer later returns to or remains on Standard Offer? ESP
10 Rule 1618.F. should be changed to read:

11 Photovoltaic or solar thermal electric resources that are located on a
12 customer's premises shall count toward the Environmental Portfolio Standard
13 applicable to the current Load-Serving Entity serving that consumer unless
14 a different Load Serving Entity is entitled to receive credit for such resources
under the provisions of R14-2-1618.C.3.a.

14 OUT-OF-STATE ENVIRONMENTALLY-FRIENDLY RESOURCES

15 EPS Rule 1618.M. limits eligibility of environmentally-friendly resources to Arizona-
16 based facilities. This restriction only applies to non-solar resources, and thus is discriminatory
17 both against other technologies and against out-of-state resources. The Economic Development
18 Extra Credit Multiplier as set forth in EPS Rule 1618.C.2. provides sufficient and lawful
19 incentives to prefer in-state resources without creating unnecessary Commerce Clause and other
20 discrimination issues. APS would modify EPS Rule 1618.M to read:

21 Consistent with the percentage phase-in schedule in R14-2-1618.B.3.,
22 a Load-Serving Entity shall be entitled to meet the Environmental Portfolio
23 Standard with electricity produced by other environmentally-friendly renewable
24 electricity technologies, hereby defined as wind generators, biomass generators,
25 and in-state landfill gas generators, in addition to the solar electric and solar thermal
26 technologies described in R14-2-1618.A and R14-2-1618.L Systems using such
technologies shall be eligible for Early Installation Extra Credit Multipliers as
defined in R14-2-1618.C.1. and, if otherwise eligible, the Solar Economic
Development Extra Credit Multipliers as defined in R14-2-1618.C.2.b.

CONCLUSION

Achieving the EPS requirements with the limited funding available will be a difficult task in any event, especially in the later years of the proposed EPS. Leveraging funding through customer-owned facilities is one way to stretch those dollars while encouraging distributed renewable generation. Requiring in-state suppliers of this generation to be at least somewhat competitive with out-of-state suppliers is another way of maximizing the environmental benefits of the EPS, recognizing as it does, that it is all one ecosphere.

RESPECTFULLY SUBMITTED this 21st day of February, 2001.

SNELL & WILMER


Thomas L. Mumaw

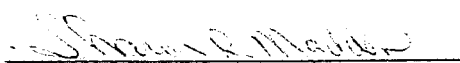
Attorneys for Arizona Public
Service Company

Original and ten copies of the foregoing filed this 21st day of February, 2001, with:

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Copy of the foregoing mailed, e-mailed or hand-delivered this 21st day of February, 2001, to:

All parties of record.


Sharon Madden

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